

**III. C. C. Docket 03-0162
Respondent's Exhibit 1**

**The Peoples Gas Light and Coke Company Rider 11 Report
to the Illinois Commerce Commission
for Fiscal 2002
With Certification of Deloitte & Touche**

The Peoples Gas Light and Coke Company
Report To Illinois Commerce Commission
With Respect To Operation Of Rider 11, Adjustment
For Incremental Costs Of Environmental Activities
Quarter Ended September 30, 2002
And Fiscal Year 2002

The Peoples Gas Light and Coke Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended September 30, 2002 And Fiscal Year 2002

This report addresses the operation of the Company's Rider 11, Adjustment For Incremental Costs Of Environmental Activities, during the quarter ended September 30, 2002, and during fiscal year 2002.

Section D of the Company's Rider 11, Adjustment for Incremental Costs of Environmental Activities, requires that the Company file quarterly reports with the Commission. Rider 11 further requires that each such report contain: a statement of activity in the Deferred Account for the quarter and for the fiscal year through the quarter; a statement of activity in the Settlement Fund for the quarter and for the fiscal year through the quarter; a statement of adjustments that were terminated during the quarter; a summary of the incremental costs incurred during the quarter and for the fiscal year through the quarter; and a description of the environmental activities in which the Company was involved during the quarter. Cumulative incremental costs and recoveries through September 30, 2002 are also included in these reports.

Statement Of Activity In The Deferred Account

Under its Rider 11, the Company recorded the amount of \$9,714,883.10 in the Deferred Account during the quarter ended September 30, 2002, the fourth quarter of fiscal year 2002. This amount represents the incremental costs that were incurred in connection with the environmental activities that were conducted by the Company during the quarter ended September 30, 2002.

During the quarter ended September 30, 2002, the Company recognized \$1,302,382.12 in revenues arising from the application of the adjustments determined under Rider 11.

Page 10 of this report presents the "Statement Of Activity In Account 182.3, Other Regulatory Assets, Quarter Ended September 30, 2002, Fiscal Year 2002, And Cumulative Through September 30, 2002".

Statement of Activity in Settlement Fund

On February 26, 1999, the Commission approved changes in Rider 11, including the establishment of the Settlement Fund, by Special Permission No. R-18958. In December 1998, the Company received monies as a result of an insurance settlement. All transactions were recorded after income taxes. The net balance of \$2,481,723.55 is shown for the quarter ended September 30, 2002, which includes settlements with insurance carriers (after-tax) of \$5,279,137.50 a deduction of \$2,838,829.50, 50% of the quarter's net incremental costs less income tax benefits, and the addition of interest (after tax) of \$41,415.55.

The Peoples Gas Light and Coke Company
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Quarter Ended September 30, 2002 And Fiscal Year 2002

Page 11 of this report presents the "Statement of Activity in the Settlement Fund, Quarter ended September 30, 2002, Fiscal Year 2002 And Cumulative Through September 30, 2002".

Summary Of Incremental Costs

The Company experienced a total of \$9,714,883.10 in incremental costs relative to the environmental activities that were conducted during the quarter ended September 30, 2002. Of this amount, \$16,626.46 is attributable to Archives; \$49,715.89 is attributable to Calumet Station; \$316,031.38 is attributable to the Crawford Station; \$115,210.51 is attributable to the Division Street Station; \$6,255.42 is attributable to the Equitable Distribution Station; \$157,575.68 is attributable to the Hawthorne Station; \$68,269.27 is attributable to the Hough Place Station; \$18,693.74 is attributable to Irving Park Road Station; \$10,942.72 is attributable to the Lake Gas Works; \$3,866.19 is attributable to the Market Street Station; \$130,695.95 is attributable to the North Shore Avenue Station; \$48,454.64 is attributable to the North Station; \$65,664.66 is attributable to the Pitney Court Station; \$5,155.61 is attributable to the Pullman Station; \$11,931.84 is attributable to Roosevelt Road Station; \$4,301,593.61 is attributable to the South Station; \$1,288.76 is attributable to the Throop Street Station; \$76,782.42 is attributable to the Willow Street Station; \$32,166.99 is attributable to the 22nd Street Station; \$1,404.30 is attributable to the 24th Place Station; \$29,935.22 is attributable to the 31st Street Station; \$19,957.44 is attributable to the 64th Street Station; \$15,700.80 is attributable to the 73rd Street Station; \$21,987.04 is attributable to the 96th Street Station; \$4,475,928.39 is attributable to the 110th Street Purifying Station; \$115,314.83 is attributable to Insurance Related Costs; a credit of \$706,613.26 is attributable to General and Unallocated Costs and \$304,346.60 is attributable to Carrying Charges. A credit of \$4,705,268.26 representing recovery from the Settlement Fund of 50% of net incremental costs, excluding carrying charges, is also shown on this summary.

Page 12 of this report presents the "Summary Of Incremental Costs, Quarter ended September 30, 2002, Fiscal Year 2002, And Cumulative Through September 30, 2002".

Description Of Environmental Activities

Archives:

During the fourth quarter of fiscal 2002, the Company incurred \$16,626.46 in incremental costs associated with the environmental activities that were conducted relative to the Archives. Costs were incurred for environmental investigation activities performed by an outside environmental consultant.

The Peoples Gas Light and Coke Company
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Calumet Station:

During the fourth quarter of fiscal 2002, the Company incurred \$49,715.89 in incremental costs associated with the environmental activities that were conducted relative to the Calumet Station. Costs were incurred for environmental investigation activities performed by an outside environmental consultant.

Crawford Station:

During the fourth quarter of fiscal 2002, the Company incurred \$316,031.38 in incremental costs associated with the environmental activities that were conducted relative to the Crawford Station. Costs were primarily incurred for an environmental site investigation by an outside environmental consultant. Costs were also incurred for transportation and disposal of waste material by an outside environmental waste disposal company. Other costs were incurred for professional services provided by outside legal counsel, an outside engineering company and an outside real-estate consultant.

Division Street Station:

During the fourth quarter of fiscal 2002, the Company incurred \$115,210.51 in incremental costs associated with the environmental activities that were conducted relative to the Division Street Station. Costs were primarily incurred in connection with an environmental site investigation by an outside environmental consultant. Costs were also incurred for transportation and disposal of waste material by an outside environmental waste disposal company.

Equitable Distribution Station:

During the fourth quarter of fiscal 2002, the Company incurred \$6,255.42 in incremental costs associated with the environmental activities that were conducted relative to the Equitable Distribution Station. Costs were primarily for professional services provided by an outside environmental consultant and outside legal counsel.

Hawthorne Station:

During the fourth quarter of fiscal 2002, the Company incurred \$157,575.68 in incremental costs associated with environmental activities that were conducted relative to the Hawthorne Station. Costs were primarily incurred in connection with an environmental site investigation by an outside environmental consultant. Costs were also incurred for transportation and disposal of waste material by an outside environmental waste disposal company.

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Hough Place Station:

During the fourth quarter of fiscal 2002, the Company incurred \$68,269.27 in incremental costs associated with environmental activities that were conducted relative to the Hough Place Station. Costs were primarily incurred for professional services provided by outside legal counsel. Additional costs were incurred in connection with an environmental site investigation by an outside environmental consultant.

Irving Park Road Station:

During the fourth quarter of fiscal 2002, the Company incurred \$18,693.74 in incremental costs associated with environmental activities that were conducted relative to the Irving Park Road Station. Costs were incurred in connection with an environmental site investigation by an outside environmental consultant.

Lake Gas Works:

During the fourth quarter of fiscal 2002, the Company incurred \$10,942.72 in incremental costs associated with the environmental remediation activities that were conducted at the Lake Gas Works site. Costs were incurred for professional services provided by an outside environmental consultant.

Market Street Station:

During the fourth quarter of fiscal 2002, the Company incurred \$3,866.19 in incremental costs associated with the environmental activities that were conducted relative to the Market Street Station. Costs were incurred in connection with an environmental site investigation by an outside environmental consultant.

North Shore Avenue Station:

During the fourth quarter of fiscal 2002, the Company incurred \$130,695.95 in incremental costs associated with the environmental activities that were conducted relative to the North Shore Avenue Station. Costs were incurred for professional services provided by an outside environmental consultant.

North Station:

During the fourth quarter of fiscal 2002, the Company incurred \$48,454.64 in incremental costs associated with the environmental activities that were conducted relative to the North Station. Costs were primarily incurred in connection with an environmental site investigation by an outside environmental consultant.

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Pitney Court Station:

During the fourth quarter of fiscal 2002, the Company incurred \$65,664.66 in incremental costs associated with the environmental activities that were conducted relative to the former Pitney Court Station. Costs were primarily incurred for professional services provided by an outside environmental consultant. Costs were also incurred by the Company for professional services performed by outside legal counsel.

Pullman Station:

During the fourth quarter of fiscal 2002, the Company incurred \$5,155.61 in incremental costs associated with the environmental activities that were conducted relative to the Pullman Station. Costs were incurred in connection with an environmental site investigation by an outside environmental consultant.

Roosevelt Road Station:

During the fourth quarter of fiscal 2002, the Company incurred \$11,931.84 in incremental costs associated with the environmental activities that were conducted relative to the Roosevelt Road Station. Costs were incurred in connection with an environmental site investigation by an outside environmental consultant.

South Station:

During the fourth quarter of fiscal 2002, the Company incurred \$4,301,593.61 in incremental costs associated with the environmental activities that were conducted relative to the South Station. Costs were primarily incurred in connection with environmental site remediation activities performed by outside environmental consultants. Costs were also incurred for containment, transportation and disposal of waste material by an outside environmental waste disposal company. Other costs were for security services, legal services, site maintenance and other miscellaneous charges.

Throop Street Station:

During the fourth quarter of fiscal 2002, the Company incurred \$1,288.76 in incremental costs associated with the environmental activities that were conducted relative to the Throop Street Station. Costs were incurred in connection with an environmental site investigation by an outside environmental consultant.

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Willow Street Station:

During the fourth quarter of fiscal 2002, the Company incurred \$76,782.42 in incremental costs associated with the environmental activities that were conducted relative to the Willow Street Station. Costs were primarily incurred in connection with an environmental site investigation by an outside environmental consultant.

22nd Street Station:

During the fourth quarter of fiscal 2002, the Company incurred \$32,166.99 in incremental costs associated with environmental activities that were conducted relative to the 22nd Street Station. Costs were incurred in connection with an environmental site investigation by an outside environmental consultant. Other costs were incurred for legal services provided by outside legal counsel.

24th Place Station:

During the fourth quarter of fiscal 2002, the Company incurred \$1,404.30 in incremental costs associated with the environmental activities that were conducted relative to the 24th Place Station. Costs were incurred in connection with an environmental site investigation by an outside environmental consultant.

31st Street Station:

During the fourth quarter of fiscal 2002, the Company incurred \$29,935.22 in incremental costs associated with the environmental activities that were conducted relative to the 31st Street Station. Costs were primarily incurred for legal services provided by outside legal counsel and for an outside environmental consultant in connection with an environmental site investigation.

64th Street Station:

During the fourth quarter of fiscal 2002, the Company incurred \$19,957.44 in incremental costs associated with the environmental activities that were conducted relative to the 64th Street Station. Costs were primarily incurred in connection with an environmental site investigation by an outside environmental consultant.

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73rd Street Station:

During the fourth quarter of fiscal 2002, the Company incurred \$15,700.80 in incremental costs associated with the environmental activities that were conducted relative to the 73rd Street Station. Costs were incurred in connection with an environmental site investigation by an outside environmental consultant.

96th Street Station:

During the fourth quarter of fiscal 2002, the Company incurred \$21,987.04 in incremental costs associated with the environmental activities that were conducted relative to the 96th Street Station. Costs were primarily incurred in connection with an environmental site investigation by outside environmental consultants. Costs were also incurred for professional services by an outside environmental waste disposal company.

110th Street Purifying Station:

During the fourth quarter of fiscal 2002, the Company incurred \$4,475,928.39 in incremental costs associated with the environmental activities that were conducted relative to the 110th Street Station. Costs were primarily incurred for containment, transportation and disposal of waste material services by an outside environmental waste disposal company. Costs were also incurred in connection with environmental site remediation activities by an outside environmental consultant. Other costs were incurred for legal services provided by outside counsel.

Insurance Related Costs And Recoveries:

During the fourth quarter of fiscal 2002, the Company incurred \$115,314.83 in insurance related incremental costs. These incremental costs were incurred as the result of the litigation of a lawsuit by the Company seeking indemnification from the Company's current and previous insurance carriers for the past and future costs of the environmental activities conducted by the Company. Costs were primarily attributable to the activities of the Company's outside legal counsel.

General And Unallocated Costs:

During the fourth quarter of fiscal 2002, the Company incurred a credit of \$706,613.26 in general and unallocated incremental costs. The credit was primarily due to the reversal of accruals made in the prior quarter.

The Peoples Gas Light and Coke Company
Operation Of Rider 11, Adjustment For
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Carrying Charges:

During the fourth quarter of fiscal 2002, the Company incurred \$304,346.60 in carrying charges. This amount represents the cost of carrying amounts in the deferred account before recovery through the settlement fund and application of adjustments determined under Rider 11.

Cost Recoveries from Settlement Fund:

During the fourth quarter of fiscal 2002, \$4,705,268.26 was recorded for costs recovered through the Settlement Fund. The amount represents 50% of net incremental costs, excluding carrying charges, incurred by the Company for the quarter ended September 30, 2002.

Adjustments:

Page 13 of this report presents the "Adjustments Under Rider 11 Terminated During Quarter Ended September 30, 2002". Three adjustments were terminated during the quarter ended September 30, 2002.

The Peoples Gas Light and Coke Company
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
STATEMENT OF ACTIVITY IN ACCOUNT 182.3, OTHER REGULATORY ASSETS
QUARTER ENDED SEPTEMBER 30, 2002, FISCAL YEAR 2002, AND
CUMULATIVE THROUGH SEPTEMBER 30, 2002

Line No.	Description	Quarter Ended 9-30-02 (B)	Fiscal Year 2002 (C)	Cumulative Through 9-30-02 (D)
1	Balance at Beginning of Period	\$ 14,510,809.49	\$ 4,895,868.86	\$ 0.00
2	Plus Costs Incurred:			
3	Quarter (Page 12, Line 36, Col. C)	9,714,883.10	--	--
4	Fiscal Year (Page 12, Line 36, Col. D)	--	27,297,033.45	--
5	Cumulative (Page 12, Line 36, Col. E)	--	--	59,374,285.17
6	Subtotal	24,225,692.59	32,192,902.31	59,374,285.17
7	Less Costs Recovered Through Rates	1,302,382.12	5,887,670.34	22,326,477.51
8	Less Recovery Through Settlement Fund:			
9	Quarter (Page 12, Line 37, Col. C)	4,705,268.26	--	--
10	Fiscal Year (Page 12, Line 37, Col. D)	--	8,087,189.76	--
11	Cumulative (Page 12, Line 37, Col. E)	--	--	18,829,765.45
12	Balance at End of Period	\$ <u>18,218,042.21</u>	\$ <u>18,218,042.21</u>	\$ <u>18,218,042.21</u>

The Peoples Gas Light and Coke Company
STATEMENT OF ACTIVITY IN THE SETTLEMENT FUND
QUARTER ENDED SEPTEMBER 30, 2002, FISCAL YEAR 2002, AND
CUMULATIVE THROUGH SEPTEMBER 30, 2002

Line No.		Quarter Ended 9-30-02	Fiscal Year 2002	Cumulative Through 9-30-02
1	Balance at Beginning of Period	\$ 0.00	\$ 1,503,874.23	\$
2	Add: Settlements with insurance carriers			
3	Or other entities (after tax)	5,279,137.50	5,788,951.35	13,057,718.18
4	Deduct: 50% of net incremental costs,			
5	Less income tax benefit (See note)	2,838,829.50	4,879,244.20	11,360,562.41
6	Add: Interest (after-tax)	41,415.55	68,142.17	784,567.78
7	Balance at end of period	<u>2,481,723.55</u>	<u>2,481,723.55</u>	<u>2,481,723.55</u>
Note:	Incremental Costs	\$ 9,410,536.50	\$ 23,352,857.95	\$ 44,838,009.30
	Less: Incremental costs recovered in the period			
	From insurance carriers or other entities	0.00	0.00	0.00
	Net Incremental costs	<u>\$ 9,410,536.50</u>	<u>\$ 23,352,857.95</u>	<u>\$ 44,838,009.30</u>
	50% of net incremental costs for the period	\$ 4,705,268.26	\$ 11,676,428.99	\$ 22,419,004.68
	Less: Amount not available from fund	0.00	3,589,239.23	3,589,239.23
	Amount to recover through settlement fund	4,705,268.26	8,087,189.76	18,829,765.45
	Less: Income tax benefit calculated at an			
	Effective State and Federal Rate of 39.667%	1,866,438.76	3,207,945.56	7,469,203.04
	Total	<u>\$ 2,838,829.50</u>	<u>\$ 4,879,244.20</u>	<u>\$ 11,360,562.41</u>

The Peoples Gas Light and Coke Company
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
SUMMARY OF INCREMENTAL COSTS (1)
QUARTER ENDED SEPTEMBER 30, 2002, FISCAL YEAR 2002, AND
CUMULATIVE THROUGH SEPTEMBER 30, 2002

Line No.	Site or Other Category of Costs (A)	Recorded In Function Number (B)	Quarter Ended 9-30-02 (C)	Fiscal Year 2002 (D)	Cumulative Through 9-30-02 (E)
1	Archives	7766.01	\$ 16,626.46	\$ 71,672.73	\$ 238,149.61
2	Bowen and Langley Station	7766.02	0.00	0.00	589,054.82
3	Calumet Station	7766.03	49,715.89	228,756.50	6,767,654.09
4	Crawford Station	7766.04	316,031.38	9,259,132.87	9,819,700.69
5	Division Street Station	7766.05	115,210.51	132,789.95	381,847.21
6	Equitable Distribution Station	7766.06	6,255.42	14,125.47	471,807.43
7	Hawthorne Station	7766.07	157,575.68	158,655.21	176,310.61
8	Hough Place Station	7766.08	68,269.27	288,853.72	593,105.25
9	Irving Park Road Station	7766.09	18,693.74	91,939.30	162,048.54
10	Lake Gas Works	7766.10	10,942.72	191,719.56	2,728,034.83
11	Market Street Station	7766.11	3,866.19	3,882.17	45,948.89
12	Mutual Fuel Gas Works	7766.12	0.00	0.00	17,824.26
13	North Shore Avenue Station	7766.13	130,695.95	1,185,770.38	2,587,227.15
14	North Station	7766.14	48,454.64	311,312.25	958,581.81
15	Pitney Court Station	7766.15	65,664.66	235,784.41	1,665,255.33
16	Pullman Station	7766.16	5,155.61	9,600.91	57,628.84
17	Roosevelt Road Station	7766.17	11,931.84	85,683.20	154,573.24
18	South Station	7766.18	4,301,593.61	7,458,170.55	9,190,353.09
19	Superior Street Holders	7766.19	0.00	30.58	41,394.81
20	Throop Street Station	7766.20	1,288.76	2,938.02	17,544.73
21	Willow Street Station	7766.21	76,782.42	275,599.07	315,158.20
22	22 nd Street Station	7766.22	32,166.99	654,156.17	845,545.53
23	24 th Place Station	7766.23	1,404.30	6,058.26	22,203.84
24	31 st Street Station	7766.24	29,935.22	56,461.19	397,415.84
25	40 th Street Holder	7766.25	0.00	-2,058.92	88,666.35
26	64 th Street Station	7766.26	19,957.44	108,541.62	195,146.81
27	73 rd Street Station	7766.27	15,700.80	77,771.11	150,225.81
28	96 th Street Station	7766.28	21,987.04	80,753.23	844,754.79
29	110 th Street Purifying Station	7766.29	4,475,928.39	4,675,070.56	6,517,724.49
30	McCook Property	7766.30	0.00	0.00	0.00
31	Cicero Refining	7766.31	0.00	0.00	0.00
32	Community Relations Program	7766.70	0.00	0.00	72,422.93
33	Insurance Related Costs and Recoveries	7766.80	115,314.83	482,087.61	10,232,914.98
34	General and Unallocated Costs	7766.90	-706,613.26	390,796.03	967,805.66
35	Carrying Charges	7762.01	304,346.60	760,979.74	2,060,254.71
36	Total		\$ 9,714,883.10	\$ 27,297,033.45	\$ 59,374,285.17
37	Less: Recovery Through Settlement Fund (Page 11)	7766.95	4,705,268.26	8,087,189.76	18,829,765.45
38	Net Total after Settlement Fund recovery		\$ 5,009,614.84	\$ 19,209,843.69	\$ 40,544,519.72

(1) Recorded in Account 182.3, Other Regulatory Assets

The Peoples Gas Light and Coke Company
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
ADJUSTMENTS UNDER RIDER 11 TERMINATED
DURING QUARTER ENDED SEPTEMBER 30, 2002

Adjustments Effective Beginning: (A)	Amount Reflected In Determination Of Adjustment (B)	Amount Recovered Through Rates (C)	Difference (1) (D)
July 1, 2001	\$854,450.25	\$729,673.83	\$124,776.42
August 1, 2001	\$492,003.92	\$364,795.27	\$127,208.65
September 1, 2001	\$290,946.25	\$182,217.43	\$108,728.82

(1) Maintained in deferred account for inclusion in subsequent determination of an adjustment.

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

KATHERINE A. DONOFRIO, being second duly sworn, deposes and says that she is Senior Vice President; that she has read the foregoing Report to the Illinois Commerce Commission with respect to Operation of Rider 11, Adjustment for Incremental Costs of Environmental Activities, for the Quarter Ended September 30, 2002 and knows the contents thereof; and that the facts therein stated are true to the best of her knowledge, information and belief.

Katherine A. Donofrio

SUBSCRIBED and SWORN TO before me this ____th day of November, 2002.

Notary Public

My Commission Expires:

The Peoples Gas Light and Coke Company

*Report to the Illinois Commerce Commission on
Incremental Costs of Environmental Activities—
Statement of Activity in Account 182.3,
Other Regulatory Assets and Statement of
Activity in Settlement Fund for the
Year Ended September 30, 2002*



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Peoples Gas Light and Coke Company:
Chicago, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of The Peoples Gas Light and Coke Company (the "Company") for the year ended September 30, 2002, and have issued our report thereon dated December 12, 2002. We have also audited the Company's accompanying Report to the Illinois Commerce Commission ("ICC") on Incremental Costs of Environmental Activities—Statement of Activity in Account 182.3, Other Regulatory Assets and accompanying Report to the ICC on Incremental Costs of Environmental Activities—Statement of Activity in Settlement Fund (the "Statements") for the year ended September 30, 2002, filed with the ICC pursuant to Section D of the Company's Rider 11. These Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statements. We believe that our audit provides a reasonable basis for our opinion.

The Statements were prepared for purposes of complying with the Company's Rider 11, Section D, as filed with the ICC.

In our opinion, the Statements present fairly, in all material respects, the information shown therein of the Company for the year ended September 30, 2002, in accordance with the Company's Rider 11, Section D, as filed with the ICC.

This report is intended solely for the information and use of the management and Board of Directors of the Company and the ICC, and is not intended and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

December 12, 2002

THE PEOPLES GAS LIGHT AND COKE COMPANY

REPORT TO THE ILLINOIS COMMERCE COMMISSION ON INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES— STATEMENT OF ACTIVITY IN ACCOUNT 182.3, OTHER REGULATORY ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2002

Description	Amount
BALANCE—Beginning of year	\$ 4,895,869
Plus costs incurred	<u>27,297,033</u>
Subtotal	32,192,902
Less costs recovered through rates	5,887,670
Less recovery through settlement fund	<u>8,087,190</u>
BALANCE—End of year	<u>\$ 18,218,042</u>

THE PEOPLES GAS LIGHT AND COKE COMPANY

REPORT TO THE ILLINOIS COMMERCE COMMISSION ON INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES— STATEMENT OF ACTIVITY IN SETTLEMENT FUND FOR THE YEAR ENDED SEPTEMBER 30, 2002

Description	Amount
BALANCE—Beginning of year	\$ 1,503,874
Add settlements with insurance carriers or other entities (after tax)	5,788,952
Deduct 50% of net incremental costs, less income tax benefit (see note)	4,879,244
Add interest (after tax)	<u>68,142</u>
BALANCE—End of year	<u>\$ 2,481,724</u>
 Note: Incremental costs, excluding carrying charges	 \$26,536,054
Less incremental costs recovered from insurance carriers or other entities	<u> </u>
 Net incremental costs	 <u>\$26,536,054</u>
 50% of net incremental costs	 \$13,268,027
Less amounts not available from settlement fund	<u>5,180,837</u>
 Amount to recover through settlement fund	 8,087,190
Less income tax benefit calculated at an effective state and federal rate of 39.667%	<u>3,207,946</u>
 Total	 <u>\$ 4,879,244</u>